

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

STR-04 XMB-02 /090 W

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INFO ALL OECD CAPITALS 0237

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: OECD TRADE PLEDGE RENEWAL

THE OECD SECRETARIAT HAS PREPARED A DOCUMENT ON TRADE PLEDGE RENEWAL, WHICH IT PROPOSES TO LAY BEFORE THE OECD MINISTERIAL COUNCIL ON JUNE 21-22. PRIOR DISCUSSION ON THIS DRAFT IS ENVISAGED FOR THE UPCOMING EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS). THE TEXT OF THIS DOCUMENT FOLLOWS:
BEGIN TEXT

1. AT THE MEETING OF THE COUNCIL AT MINISTERIAL LEVEL IN MAY 1975 THE GOVERNMENTS OF OECD MEMBER COUNTRIES, WITH THE EXCEPTION OF THE GOVERNMENT OF PORTUGAL, RENEWED FOR A FURTHER YEAR THE DECLARATION WHICH THEY HAD ORIGINALLY ADOPTED ON 30TH MAY, 1974. THIS JOINT UNDERTAKING AIMS TO PREVENT UNILATERAL ACTION IN THE FIELD OF TRADE OR OTHER CURRENT ACCOUNT TRANSACTIONS WHICH MIGHT RESULT IN AN AGGRAVATION OF THE DIFFICULTIES CURRENTLY FACED BY THE INTERNATIONAL COMMUNITY.

2. INITIALLY THIS UNDERTAKING WAS CLOSELY RELATED TO
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THE NEW SITUATION CREATED BY THE RISE IN OIL PRICES,

WHICH HAD IMPORTANT EFFECTS NOTABLY IN SUCH FIELDS AS INFLATION, STRUCTURAL DIFFICULTIES AND THE BALANCE OF PAYMENTS. TO TAKE ACCOUNT OF SUBSEQUENT DEVELOPMENTS, A CERTAIN NUMBER OF AGREED COMMENTS WERE NOTED WHEN THE DECLARATION WAS RENEWED IN 1975.

3. IN THESE COMMENTS THE EMPHASIS WAS PUT ON THE INCREASED DANGER STEMMING FROM THE DECLINE IN ECONOMIC ACTIVITY AND EMPLOYMENT AS WELL AS ON THE HIGH DEGREE OF ECONOMIC COOPERATION REQUIRED AT A TIME OF MARKED DIFFERENCES IN THE BALANCE-OF-PAYMENTS SITUATION OF THE MEMBER COUNTRIES OF THE OECD. THE COMMENTS ALSO DEALT WITH THE QUESTION OF EXCHANGE RATE MOVEMENTS WHICH MAY NOT REFLECT CHANGES IN UNDERLYING COMPETITIVE TRADE POSITIONS. FURTHERMORE THEY MADE PARTICULAR MENTION OF THE SERIOUS PROBLEMS THAT DEVELOPING MEMBER COUNTRIES WERE FACING.

4. AS THE ECONOMIC RECESSION DEVELOPED, IT BROUGHT WITH IT, AS COULD BE EXPECTED, GREATER PRESSURES ON MEMBER GOVERNMENTS TO TAKE UNILATERAL TRADE MEASURES IN ORDER TO GIVE RELIEF TO CERTAIN SECTORS OF THE ECONOMY OR TO ALLEVIATE BALANCE-OF-PAYMENTS DIFFICULTIES. THESE PRESSURES, COMING FROM BOTH INDUSTRY AND LABOR, HAVE BEEN GENERALLY RESISTED. SUCH LIMITED ACTION AS HAS BEEN TAKEN HAS BEEN THE OBJECT OF CONSULTATIONS ACCORDING TO THE APPROPRIATE PROCEDURES OF THE ORGANIZATION. THERE HAVE ALSO BEEN PRIOR CONSULTATIONS WHICH HELPED TO AVERT RESTRICTIVE ACTION ON IMPORTS. THE DANGER OF SELF-DEFEATING CHAIN REACTIONS WHICH WOULD HAVE HAD A DEPRESSING EFFECT ON THE WORLD ECONOMY HAS SO FAR BEEN AVOIDED AND IT CAN THEREFORE BE LEGITIMATELY ASSERTED THAT THE DECLARATION HAS SERVED ITS PURPOSE WELL.

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5. THE DECLARATION HAS FROM THE OUTSET BEEN CONCEIVED AS AN EXTRAORDINARY ACTION, MOTIVATED BY PARTICULAR ECONOMIC CIRCUMSTANCES. THE QUESTION IS THEREFORE WHETHER THIS JOINT UNDERTAKING IS STILL REQUIRED UNDER PRESENT ECONOMIC CONDITIONS.

6. THERE IS NO NEED TO PROVIDE IN THIS NOTE A DETAILED ANALYSIS OF THE ECONOMIC SITUATION AND PROSPECTS SINCE A SEPARATE DOCUMENT ON THIS SUBJECT WILL BE PRESENTED TO MINISTERS. WHILE THERE ARE ENCOURAGING INDICATIONS OF ECONOMIC RECOVERY, IT IS EVIDENT THAT UNTIL THE RECOVERY IS FURTHER ADVANCED, DIFFICULT SECTORAL OR STRUCTURAL PROBLEMS WILL PERSIST. IN PARTICULAR, UNEMPLOYMENT RATES MAY REMAIN RELATIVELY HIGH FOR SOME TIME. MOREOVER, SERIOUS BALANCE-OF-PAYMENTS DIFFICULTIES MAY PERSIST IN CERTAIN MEMBER COUNTRIES. THESE FEW INDICATIONS ALL POINT TO THE NEED FOR A CONTINUED IMPLEMENTATION OF THE DECLARATION IN THE LIGHT OF THE EXISTING AGREED COMMENTS FOR THE MONTHS LIMITED OFFICIAL USE

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TO COME, AT LEAST UNTIL THE ECONOMIC RECOVERY IS MORE FIRMLY ESTABLISHED. UNILATERAL ACTION IN THE FIELD OF TRADE AND OTHER CURRENT ACCOUNT TRANSACTIONS COULD INDEED, BY TRIGGERING OFF CHAIN REACTIONS, ENDANGER PROSPECTS FOR NONINFLATIONARY GROWTH IN THE OECD AREA.

7. IT IS THEREFORE PROPOSED THAT MEMBER GOVERNMENTS RENEW IN THEIR PRESENT FORM THE DECLARATION OF 30TH MAY, 1974 AND THE AGREED COMMENTS THERETO FOR A FURTHER YEAR.
END TEXT
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